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C O N F I D E N T I A L SECTION 01 OF 03 VILNIUS 000648

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TAGS: [PGOV](#) [PHUM](#) [ECON](#) [KCOR](#) [LH](#)
SUBJECT: LITHUANIA'S CORRUPT MEDIA HURTS EVERYONE,
INCLUDING U.S. BUSINESSES

Classified By: CDA Damian Leader for reasons 1.4 (b) and (d).

¶1. (C) SUMMARY. Some media outlets in Lithuania, newspapers especially, extort politicians and businessmen using rewards of positive coverage and the threat of negative coverage. Media corruption damages media credibility, undermines Lithuania's democratic institutions, and intimidates politicians, businesses, and civil society. It also hurts U.S. businesses, who are less apt to "play the game" than their local counterparts. End summary.

Context: Picture is bleak, regulation weak

¶2. (C) Government officials, businessmen, NGOs, and others criticize Lithuania's media for being corrupt, in addition to the usual complaints that it is scandal-focused and sensational. Media owners, with business and/or political interests, have a heavy hand and often operate as de facto editors.

¶3. (U) Lithuania's toothless media watchdogs do little to stop corruption. The 1996 law on public information was watered down in 2002. The maximum fine that any media regulatory agency can impose is 10,000 litas (about 4,000 USD). In 2006, the largest fine levied was 3,000 litas (1,200 USD) for airing a program unsuitable for children early in the evening. When the Journalist and Publishers Ethics Commission finds an ethical violation, media outlets often do not run the "required" retractions. The Commission then announces the retraction or correction on the national radio network.

Politics

¶4. (C) Former journalist and current advisor to the Prime Minister Vilius Kavaliauskas told us, "you must buy the right not to be attacked." He added, "A daily can replace a minister -- any daily any minister." Government officials seem paralyzed by the media. In meetings at all levels, GOL officials often shrug their shoulders in resignation when we point out the lack of media ethics.

¶5. (C) Media outlets have clear favorites, as in many countries, but in Lithuania direct payments are also involved. A Labor Party official told us that for him to place a positive article in Lietuvos Rytas, a leading daily, it would cost him 25,000 litas (10,000 USD), but it would only cost the Social Democratic Party 5,000 litas (2,000 USD). He was not complaining about paying for an article -- he accepted that as common practice. He was complaining that his party had to pay more than another party. These paid political advertisements misleadingly appear as original journalism. In another example of playing favorites, Vale Cepleviciute, a journalist who worked at the daily Respublika

for 13 years, said at a recent conference on media corruption that for years Vitas Tomkus, Respublika's owner and de facto editor, told staff not to criticize the well-known businessman turned politician Viktor Uspaskich.

¶6. (U) Politicians occasionally get caught paying for media coverage. Lithuania's Chief Ethics Commission recently ruled that over the last two years Kazimiera Prunskiene, current Minister of Agriculture and Lithuania's first Prime Minister after independence, inappropriately promoted herself and her party in a public education campaign that ran advertisements in newspapers. In September, the Parliament voted not to reprimand Prunskiene for her actions.

Squeezing businesses

¶7. (C) Raimundas Voishka, General Manager of the Lithuanian office of Pfizer, a U.S. pharmaceutical firm, told us that, several years ago, Tomkus personally told him that for one million litas (400,000 USD) his Respublika newspaper would "kill" Pfizer's competition. Tomkus used vulgar language and was not ambiguous. Tomkus told Voishka he had two weeks to think about his offer. After two weeks, advertising staff from Respublika approached Voishka, who said Pfizer had nothing to advertise. Shortly after that, Respublika carried an article about people dying from Viagra, one of Pfizer's products. The paper followed up with stories about Pfizer charging too much for its products, taking advantage of poor hospital patients and sick people. They put Voishka's picture on the front page.

¶8. (C) Respublika ran an article that said Voishka beat up a child (he had, in fact, had an altercation with a neighborhood boy). Respublika sent the article to Pfizer's

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headquarters. When the Prosecutor's office and Pfizer's internal investigations cleared him of any wrongdoing in the incident, Respublika claimed that Voishka had bribed Lithuanian officials and Pfizer management. Another story, published in Respublika and other papers owned by the Respublika Group, claimed that a Pfizer executive got drunk with one of the Prime Minister's advisors and, in the wee hours of the morning, urinated on a restaurant window. Police came to investigate, the story continued, but the two drunkards bribed them to avoid arrest. Pfizer investigated, questioning police and restaurant workers and examining the scene of the alleged incident. They found no evidence that the incident occurred.

¶9. (C) Voishka told us that most American companies are unwilling to pay bribes to the media, European companies are a little more willing, and for local companies it is part of doing business. For example, an executive at a local bank told us Respublika published several negative articles about the bank. The bank began paying Respublika for advertising and the negative press stopped. The bank felt it made the right choice to play the game.

¶10. (C) Mykolas Katkus, CEO of the Lithuanian affiliate of the U.S. public relations firm Hill & Knowlton, told us that media corruption is important, but added that perception of corruption is equally or more important. He said that many people suspect that any positive or negative article is either paid for or an attempt at blackmail. Katkus added that, ten years ago, the media was the most trusted institution in Lithuania, with approval ratings in the high 70 percent range -- more trusted than the Catholic Church -- and now it is one of the least trusted institutions, with ratings around 40 percent.

¶11. (C) Voishka and others, including Katkus, worry about the role of Lithuanian "oligarchs" in many business sectors, including media ownership. Voishka noted that the biggest companies in Lithuania are small by international standards,

but in Lithuania (population 3.4 million) they are proportionately larger than their infamous counterparts in Russia or other countries. Voishka added that Lithuanian oligarchs are keen to limit foreign entry into media in particular and business in general. Until recently, the regional daily Kauno Diena was owned by a Norwegian group and it was, according to the PM's adviser Kavaliauskas, "the only objective paper in the country." Recently it was bought by local firm Hermes Capital, and, Kavaliauskas feels, it joined the lowest common denominator approach to media, with apparently purchased articles and biased reporting. (Note: We agree.) Katkus, the PR company CEO, told us that the media business model in Lithuania trades short term financial gains for long term losses in credibility. The only major media outlet in Lithuania with foreign ownership is the business daily, Verslo Zinios, which is owned by a Swedish firm.

A journalist's view

¶12. (C) Kristina Kuncinskaite Grudiene, a journalist who worked for Respublika for 8 years and now works for TV3, told us that owners are the problem and journalists work under very bad conditions, including a low basic salary and a constant fear of firing. At Respublika, staff assume that management often eavesdrops on all phones. Grudiene told us that Tomkus, Respublika's owner, often comes to the office late at night to nix any story he does not like. Staff are constantly trying to write stories that will please and not offend him. Grudiene told us that Tomkus once fired 20 people for running a story he did not like.

¶13. (C) Tomkus's capriciousness extends to attacks on businesses. Respublika was a long time sponsor of the Zalgiris basketball team, but in May he told Grudiene to resign for writing a neutral story about the team's proposed new stadium. Apparently, she told us, Tomkus had recently received some bad financial news and the same day Zalgiris approached him for sponsorship money. His petty response for bad timing was a negative story in the press. Usually, though, attacks on businesses are about advertising money. Grudiene told us that earlier this year Respublika ran several articles criticizing Mercedes cars when Mercedes' local affiliate did not renew its advertising contract with Respublika.

Critics beware

¶14. (U) Rytis Juozapavicius, a former journalist and current head of Transparency International (TI) in Lithuania, is a vocal critic of media corruption. TI recently did a survey

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of over 500 business leaders (owners, CEOs, etc.) to learn about their perceptions of and experiences with the media. It found that: 91 percent of business leaders surveyed believe the media has the power to destroy businesses; 63 percent said they were "aware of the existence of paid slander against companies and/or individuals" in the media; and 43 percent said that when they purchased advertising with national newspapers, it also meant favorable publicity in addition to advertising.

¶15. (U) Several media outlets, especially the weekly Ekstra, a supplement to the national daily Lietuvos Rytas, regularly attack Juozapavicius and TI. Stories have insinuated that TI board members are linked with the mafia. Ekstra also alleged in one story that Juozapavicius tried to bribe a journalist by offering a laptop computer in exchange for advertising a certain company on television.

Glimmers of hope: legislation, internet, new owners

¶16. (C) TI has worked with the Journalists and Publishers Ethics Commission, the Inspector of Journalists Ethics, and the Lithuanian Journalists Union to draft legislation that they hope the Government will bring to the Parliament in fall ¶2007. Currently, most media pay a Value Added Tax charge of five percent, far less than the 18 percent other businesses pay for most items. The draft legislation proposes that media sources that the Journalist and Publishers Ethics Commission finds in violation of the Journalists' Code of Ethics would lose this privilege and be charged the 18 percent VAT. The 18 percent VAT would also apply to pornographic, violent, or majority advertising (80 percent or more of the publication is ads) media. Juozapavicius, however, fears the bill is unlikely to pass and that MPs who support it would face pressure from the media lobby as well as attacks in the mass media.

¶17. (C) Since owners are the major source of corruption, a change in ownership could bring a rapid improvement in Lithuanian media. However, media owners seem to prize the power they wield. If anything, the trend in Lithuania is for large companies -- MG Baltic, Hermes Capital, Achema Group -- to consolidate media ownership. The worst offender, Respublika Group, remains strong. Despite a decline in sales of its flagship daily Respublika, its tabloid Vakaro Zinios is the best selling newspaper in the country.

¶18. (U) Alternative forms of media are gaining in popularity, in particular internet news portals and the free wire service-based daily 15 Minutes. These sources of news seem relatively free of hidden paid advertising and are less biased than their print counterparts. They are not strong enough to dispel the influence of the major print media, however.

Comment

¶19. (C) A combination of increased foreign ownership, an improved legal framework, and alternative media, such as internet news portals, could reduce media corruption in Lithuania, but such a combination is unlikely to happen soon. In the meantime, the media will continue to be a menace that serves the few at the expense of the many -- including U.S. businesses in Lithuania. Post has worked to improve the situation by sponsoring International Visitor programs, the Ambassador hosting a recent round table discussion with young journalists, and meeting with Government regulators and relevant civil society groups. We will continue with these efforts and will look for ways to encourage the Government to draft stronger legislation.

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